

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM AT HUMAN RESOURCES
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA 85251
MAY 15, 2012
REGULAR MEETING
APPROVED MINUTES**

PRESENT: Michael Hoffman, Chairman
Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
David Richard, Commissioner
David Scholefield, Commissioner
Mike Surguine, Commissioner

STAFF: Steve Geiogamah
Rob Millar
Lee Guillory
Holli Shannon

GUESTS: Jackie Bertsch, International Corporate Golf
Rachel Pearson, SCVB
Kelly Tope, SCVB
Caroline Stoeckel, SCVB
Dr. Leticia Chambers, Heard Museum
Debra Krol, Heard Museum

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairman Hoffman called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m.

2. Approval of Minutes

- May 8, 2012 Special Meeting

Mr. Geiogamah clarified that the motion in Item 4 was made by Commissioner Bailey and seconded by Commissioner Glenn.

COMMISSIONER SCHOLEFIELD MOVED TO APPROVE THE MINUTES OF THE MAY 8, 2012 SPECIAL MEETING AS AMENDED. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

3. Staff Liaison's Report

- a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that March bed tax activity was up 8% over the prior March, miscellaneous retail was up 6%, and restaurant tax revenue was up 8%. The year to date trend is up 6% on bed tax collections. Commissioner Richard said most of the recent increase was driven by the group sector. Commissioner Surguine reported that April was down slightly.

b. Bed Tax Proforma

Ms. Guillory said year to date actuals are \$10.9 million, while the original budget was set at \$9.7 million. The proforma now shows the new allocation method approved by City Council in dollar amounts instead of percentages. Staff estimates that the year will end with \$2.47 million of unspent bed tax funds. City Council has already decided that the first \$2.1 million will be used for the Tony Nelssen Equestrian Center construction shortfall. That leaves \$371,000 of unspent carryover available for a one-time commitment. A separate \$500,000 portion is also available. Because the funds dedicated to the Tony Nelssen Center did not use their full allotment, another \$232,000 of one-time commitment is available in FY12/13. The total money available is a little over \$1.1 million. The proforma will also be revised to accommodate the Princess lease revenue.

In response to an inquiry from Chairman Hoffman, Mr. Geiogamah said the Arizona Super Bowl Committee proposal has not been brought forward to Council. Staff is waiting for deliverables to be forwarded. Ms. Guillory explained that the Super Bowl expense is allocated under the event retention line item. Mr. Geiogamah summarized that \$248,217 is available to be spent toward the 2015 Super Bowl event. Ms. Guillory said a portion of any bed tax revenue above the estimated FY11/12 revenue would go into the General Fund. Anything remaining would go into carryover. Commissioner Richard suggested revisiting the estimate for FY12/13. Ms. Guillory explained that the FY12/13 revenues are budgeted revenues, and that budget has already been presented to Council. Chairman Hoffman queried what would happen to the Museum of the West allocation should that project not proceed. Ms. Guillory explained that the money would become available for a multi-year commitment to another capital project.

Chairman Hoffman requested an update on the Desert Discovery Center.

Mr. Geiogamah responded that Kroy Ekblaw is putting together an RFQ for a facility operator. Ms. Guillory added that the DDC earmark will not be spent in FY 11/12 at all, and will go into the carryover, which has largely been allocated to cover the shortfall in the Tony Nelssen Center. Commissioner Surguine felt that if the DDC received a placeholder, as the Museum of the West did, the project would be better protected.

Chairman Hoffman proposed holding the money for the DDC until December 31.

Mr. Geiogamah noted that if the Commission wished to delve into this matter further, staff could agendize it for the June meeting. Commissioner Surguine questioned why the TDC's recommendation regarding the DDC was delivered to City Council by Kroy Ekblaw, instead of by the TDC. Mr. Geiogamah explained that Mr. Ekblaw approached the TDC with a recommendation for \$60,000 in DDC funding, which he planned to take to City Council that evening. The TDC recommended allocating an additional \$600,000 from the capital projects fund, and Mr. Ekblaw agreed to deliver the recommendation to City Council.

Commissioner Surguine felt that if the TDC takes the time to make a recommendation, someone within the Department of Economic Vitality should present it at the next appropriate Council meeting. Mr. Geiogamah responded that staff intends to present the recommendation once the funding picture has been clarified. Chairman Hoffman said the TDC should have sent a representative to the meeting to support the recommendation. Mr. Millar stated that Mr. Ekblaw appreciated the TDC's recommendation, but was not at the point where he could talk publicly about funding for the DDC. Commissioner Richard noted that Mr. Ekblaw gave a very detailed description of the bonding and financing process to the DDC Subcommittee. It would help the TDC to have a clearer understanding of the process so that the Commission can be proactive, rather than reactive.

Chairman Hoffman requested that staff inform the TDC whenever a recommendation cannot be presented for whatever reason. Mr. Geiogamah responded that generally, staff tries to put issues before the TDC with the assumption that they will go before Council on a specific day. Sometimes, however, issues appear at the last minute, and staff tries to get them before the Commission as quickly as possible.

Chairman Hoffman requested that the TDC appear on the City Council agenda in June. Mr. Millar explained that the City Council regularly makes time available for Commission updates without discussion. If the TDC wishes to schedule a discussion item, it would have to be specifically scheduled. Mr. Geiogamah noted that staff has continuously reminded City departments of the TDC's need to make a recommendation in advance of Council action. Mr. Millar stated that staff tries to get issues before the TDC at least four to six weeks ahead of City Council meetings, but sometimes that is impossible. In the spirit of ensuring that the TDC receives as much information as possible, occasionally issues have to be presented with little time to spare.

Commissioner Surguine suggested that the TDC make regular updates to the City Council, even if just to relate positive stories. This will keep the TDC's message fresh in Council's mind.

c. Smith Travel Report

Mr. Geiogamah reported that occupancy is up 1.5% year to date. Average daily rate is up 5.1% YTD, and RevPar is up 6.7% YTD. For the month of March, group occupancy is up 4.1%.

d. Program Updates

Mr. Geiogamah stated that City Council plans to appoint a new Commissioner to the TDC on May 22. Vice Chairwoman Glenn suggested that the candidates sit in on a Commission meeting so they understand what is expected of them. This would also provide the Commission with some insight on the candidates' backgrounds and qualifications. Commissioner Bailey requested the resumes of the candidates. Mr. Geiogamah explained that Commissioners are free to express their individual preferences directly to Council.

4. Tourism Development Commission Proposed Bylaws Update

Mr. Geiogamah requested an action to approve the bylaw revisions presented last month. He noted two changes to the attendance requirements.

COMMISSIONER SCHOLEFIELD MOVED TO APPROVE THE TOURISM DEVELOPMENT COMMISSION BYLAW REVISIONS AS PRESENTED. COMMISSIONER SURGUINE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

5. Heard Museum Scottsdale

Mr. Geiogamah reported that in 2007, the TDC provided \$300,000 for the marketing and sponsorship of the Heard Museum North Scottsdale. Of that, \$250,000 went to support the capital cost of the move, and \$50,000 went towards marketing. The contract continues as long as the lease is in effect at the current site.

Dr. Leticia Chambers said the Heard Museum can track attendance to Scottsdale occupancy, even though the main campus is in Phoenix. The North Scottsdale branch is primarily visited by people who stay at Scottsdale resorts, or who are winter residents of Scottsdale. Per the contract agreement, free admission is provided to Scottsdale residents during the last two weeks of September. All contract requirements for the funding have been fulfilled. The venue is currently operating at a loss, and the museum is interested in working with the City to market it more effectively.

Vice Chairwoman Glenn questioned whether this project would be more appropriate for funding through the Cultural Commission. Commissioner Surguine noted that the TDC's allocation was a one-time commitment. He noted that the SCVB advocated strongly for the Heard as a tourism driver.

6. FY2012/13 Event Support Funding Program

Mr. Geiogamah noted that the event-funding program moved to a tiered structure last year. No changes are proposed to the objectives and criteria this year, though the recommended funding levels are different:

- Tier 1 events must now generate 3,100 rooms and can receive up to \$30,000
- Tier 2 events must now generate 1,545 rooms and can receive up to \$15,000
- Tier 3 has no room night requirements and can receive up to \$5,000

The goal is to present these recommendations to City Council in September. Event presentations are scheduled for the July 17 TDC meeting. An event subcommittee will not be formed this year.

Commissioner Richard said he agreed with the tier qualifications and criteria in general, but felt that Tier 3 should have minimum room nights attached for evaluation purposes. The TDC's job is to spend money in a way that generates additional bed tax. He

proposed that a minimum of 250 to 500 room nights would be appropriate. If events choose not to track room nights through the SCVB, they need to have an alternative method that is dedicated and quantifiable.

Mr. Geiogamah explained that post-event reports require the producers to provide room night data. The contract stipulates that events must work with the SCVB as much as possible. There have been challenges associated with tracking through the SCVB site. Staff has found that tracking directly through contracted hotel properties works well, and the information is complete enough to vet tier events.

Chairman Hoffman noted that the brand-building element to some events extends beyond their ability to generate room nights. He suggested that new events should either build upon the Scottsdale brand in some way, like the American Indian Market or the polo tournament, or generate enough rooms to realize a return on investment. Commissioner Richard said establishing a minimum number of room nights would help producers understand the purpose of the program. Chairman Hoffman noted that events with successful attendance figures generate retail and restaurant sales tax as well. Commissioner Surguine felt that exit interviews would help determine the percentage of attendees who come from outside the county. Commissioner Bailey noted that events that attract locals also attract out of area visitors who stay with them. Establishing minimum room night standards for Tier 3 could restrict the potential of new events.

Chairman Hoffman said tourism events generate bed taxes, which is the TDC's focus. Cultural events should be handled by the Cultural Commission. If events cannot fill hotel rooms, the City will be unable to pay for the large capital improvements necessary to host them. Mr. Geiogamah said measuring event room nights is a challenge for events that are longer in duration. Chairman Hoffman suggested using new event development money to hire a company to conduct polling of attendees.

Mr. Geiogamah reported that staff is proposing a budget of up to \$200,000 for event support. Last year, 12 events received a total of \$152,000 in support.

COMMISSIONER RICHARD MOVED TO APPROVE THE EVENT SUPPORT FUNDING PROGRAM, AMENDED TO REQUIRE FROM TIER 3 EVENTS, EITHER A 250 ROOM NIGHT MINIMUM, OR EXIT POLLING DATA. COMMISSIONER SURGUINE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

7. 2010 Lodging Performance

Mr. Geiogamah presented the Competitive Market Survey Report, which identifies STR data for Scottsdale and nine other locations. The performance measurements are used to compare Scottsdale to competitor destinations. The competitive set will be updated as part of the five-year strategic plan.

8. East West Golf Tournament Event Sponsorship

Mr. Geiogamah explained that Jackie Bertsch requests event support funding over the course of three consecutive years. Initially, \$150,000 is requested for this year, and \$200,000 in each of the following two years.

Commissioner Surguine inquired whether the TDC could fund the event out of the current year's special event fund. Mr. Geiogamah said even if presented to city council in early July, payment would be made from next year's budget. He also would need to work with the event producer to structure the deliverables and the performance requirements related to the timing of the payment.

Jackie Bertsch, International Corporate Golf, said the tournament will be held every November. This year it will take place November 20 through 25 in Haikou, China. Chinese government officials have shown their enthusiasm for the event and in developing competitiveness worldwide. The concept of the tournament is similar to the men's PGA Tour East President's Cup, which is a competition between specific countries. The East West Golf Tournament will pit an East team featuring 15 members from East Asia, New Zealand, and Australia, India and the Middle East, against a West team made up of 15 members from North and South America, Europe and Africa. The purse will be \$1.5 million.

Ms. Bertsch said last year, Scottsdale's delegation visited Mission Hills Haikou, the site of this year's tournament, and they are looking for a ten-year commitment. The television coverage will be international. The China Golf Association and the China LPGA will control the eastern hemisphere television rights, while the western hemisphere distribution will be Sky TV and the Golf Channel.

Ms. Bertsch reported that the tournament will alternate each year between Haikou and Scottsdale, which are sister cities. In addition to the tournament, there will be business exchanges and forums. Several Scottsdale-based companies have been offered sponsorship opportunities, and the goal is to secure three to five-year contracts. Haikou is on the island of Hainan, southwest of Hong Kong. It is easily accessible to Chinese visitors, and the tournament will be televised across China. The exposure potential for Scottsdale is almost unquantifiable.

Ms. Bertsch stated that the tournament itself is a wholly owned Arizona LLC. The Scottsdale office will manage and run both tournaments, working in tandem with the Mission Hills group. Grayhawk Golf Club is negotiating to be the West venue, and the Scottsdale Princess is the host hotel. The 2013 event is targeting the week after Thanksgiving, and must be set around the professional tour schedule. Visitors will come from international and national markets. Estimates suggest that the city will realize a benefit of around \$20 million. Television exposure will introduce Scottsdale as a destination for Chinese golfers. Scottsdale will have guaranteed commercial time, and the Mayor will be asked to record an invitation for the telecast.

In response to an inquiry from Commissioner Scholefield, Ms. Bertsch explained that the business exchanges would be added as they develop, and could occur year round, not just during the tournament. Commissioner Richard suggested analyzing past data to determine the best week for the tournament in Scottsdale.

Commissioner Surguine inquired about the event's relationship with the LPGA and the players. Ms. Bertsch explained that there are specific requirements for each team. The East team will have the top five Chinese players, and one player each from Japan, Korea, and Australia. The remainder will be based on rankings from the region. The

West team will consist of the top five on the LPGA money list, the top five on the European Tour money list, three team choices and two captain's picks. The LPGA is in agreement with the tournament, and the players are all independent contractors. There are no conflicting events. Six golf associations have sanctioned the tournament so far.

Ms. Bertsch said her request is for \$150,000 in immediate funding, since it is required prior to the tournament. Mr. Geiogamah explained that if the TDC recommended the proposal it could be presented to Council by July 3. Possible funding could come out of contingency dollars in the next fiscal year. To lower the risk, the City would likely ask for some deliverables before any funding is released. Vice Chairwoman Glenn inquired whether any part of the funding would be used to expose Scottsdale during the Haikou tournament. Ms. Bertsch explained that there will be an expo on site to emphasize the notion that two cities are alternating hosts. Scottsdale will receive at least six 30-second television spots and the Mayor's invitation message. Chairman Hoffman felt the number of spots should increase tenfold. Ms. Bertsch explained that the assessed media valuation is \$750,000. The spots will be broadcast on all television outlets.

Vice Chairwoman Glenn felt that six spots would not generate enough exposure to justify spending bed tax money on an event that cannot generate any new bed taxes in its first year. Ms. Bertsch said Scottsdale would benefit from the tourism generated from the exposure Scottsdale receives in markets worldwide. Caroline Stoeckel said the SCVB supports the event because there is otherwise no money available to get exposure in China.

Commissioner Surguine requested input from the SCVB's Golf Committee. Chairman Hoffman stated that there is no pressure to make a decision, since the money would come out of next year's budget anyway. He inquired what it would take to make this event a room night driver. Ms. Bertsch responded that a new TV spot would have to be produced for the international market. The spots are guaranteed to run a minimum of six times, but can run repeatedly. In response to an inquiry from Commissioner Richard, Ms. Bertsch said the Golf Channel is committing to broadcast the tournament in prime time in North America on the same day.

Mr. Geiogamah said City Council's summer recess runs from July 3 to August 21. Ms. Bertsch responded that she would need a commitment prior to August 21 otherwise Scottsdale would miss out on international media exposure. Mr. Geiogamah said in order for the item to be on City Council's July 2 agenda, the council report would have to be submitted by June 19. If a recommendation is not made today, a special TDC meeting would be necessary, following the meeting of the SCVB Golf Committee.

Chairman Hoffman said the TDC needs an understanding of how this tournament will fit into the current tourism program and how to best leverage the tournament's networking potential. Commissioner Surguine felt that the City should be asking for a lot more from the deal. Commissioner Scholefield proposed that whatever the City's investment ends up being, half should go directly to the event organizer, and half should go to the SCVB to leverage the marketing potential of the event.

9. Identification of Future Agenda Items

Chairman Hoffman requested an update on the financials through May, and on the bed tax money that is committed and not committed.

10. Public Comment

There were no public comments.

11. Adjournment

The meeting adjourned at 10:12 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.